



OFFICE OF THE UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

APR 23 2003

PERSONNEL AND
READINESS

The Honorable Duncan Hunter
Chairman
Committee on Armed Services
House of Representatives
Washington, DC 20515-0303

Dear Mr. Chairman:

This annual report on entitlement transfers to basic educational assistance to eligible dependents under the Montgomery GI Bill (MGIB) is provided as required by Section 3020(1) of title 38, United States Code (U.S.C.).

In FY 2002, the program was not operational and, as a result, there were no entitlement transfers. There were two primary reasons. First, section 654 of the National Defense Authorization Act (NDAA) for Fiscal Year 2002, which added Section 3020 to title 38, U.S.C., to permit transfers of entitlements, did not modify Section 3035 to title 38 U.S.C. to allow the Department of Veterans Affairs to accept funds from the Department of Defense (DoD) Education Benefits Fund for the costs associated with this benefit. Section 643(b) of the NDAA for FY 2003 corrects this problem. Second, section 2006(b)(2) of title 10, U.S.C. requires DoD to make contributions to the DoD Education Benefits Fund for the increased usage of benefits attributable to transferability. This funding was not programmed and therefore was not available during FY 2002.

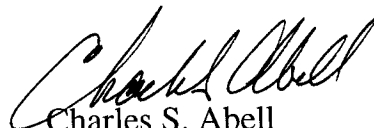
In FY 2003, the Services are exploring the use of this benefit in various ways. The Air Force has identified funding and will conduct a test program involving 200 officer and enlisted personnel. The Marine Corps surveyed 3,800 Marines to determine the relative value Marines place on MGIB transferability compared to other reenlistment programs. The Marine Corps is currently reviewing the results. The Navy is exploring funding options and is considering transferability as part of a broader sailor benefit program. The Army and Coast Guard continue to support the program in concept, but do not have immediate implementation plans. More information on MGIB transferability is contained in the Implementation Plan previously submitted to Congress.

I trust that this report will prove useful in your consideration of Defense personnel programs. Similar letters have been sent to the President of the Senate, the Speaker of the House of Representatives, the Chairman and Ranking Members



of the Senate Committee on Armed Services, the Chairmen and Ranking Members of the House and Senate Committees on Veterans' Affairs, and the Chairmen and Ranking Members of the Defense subcommittees of the Senate and House Committees on Appropriations.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles S. Abell". The signature is fluid and cursive, with the first name "Charles" being the most prominent.

Charles S. Abell
Principal Deputy

cc:

The Honorable Ike Skelton
Ranking Member